FISHERIES LOAN BOARD

ANNUAL REPORT 1991-1992

The Cover of the Annual Report
is the Cape Race Lighthouse.
Photo by Brian C. Bursey.

Fisheries Loan Board of Newfoundland and Labrador
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Honourable Walter Carter, M.H.A.
Minister of Fisheries
Government of Newfoundland and Labrador
St. John's, Newfoundland

Sir:

On behalf of the Fisheries Loan Board of Newfoundland and Labrador, I am pleased to submit the Annual Report of the Board, together with the financial statements, for the fiscal year ended March 31, 1992.

Respectfully submitted,

Brian C. Bursey
Chairman and Managing Director
Fisheries Loan Board

The Fisheries Loan Board of Newfoundland and Labrador was established in 1949 to provide financing to assist in the development of the Province's fishing industry. Over the years the Board's mandate has evolved so that it now provides financing exclusively for fishermen to acquire and upgrade fishing vessels and related equipment to pursue the inshore and midshore fisheries.

All loan applications for financial assistance are processed by officials of the Loan Board and are submitted to the Executive Board for approval. The Executive Board, which meets every second week, presently consists of nine members representing the fishing industry, the Provincial and Federal Governments, and the private sector. Members of the Board are appointed by the Lieutenant-Governor in Council.

This report briefly describes some of the highlights and activities of the 1991-92 fiscal year and provides statistical, financial, and general information related to the Board's operations.

Fox Harbour, Placentia Bay

It is a pleasure to submit the 1991-92 Annual Report of the Fisheries Loan Board.

Inshore landings of groundfish in 1991 were far below the levels of 1989 and 1990; a result of extreme ice conditions, an apparent failure of fish stocks to move inshore, and resource weaknesses. Labrador and the Northeast Coast were particularly hard hit, with inshore cod landings down by 70 per cent and caplin landings reduced by 50 per cent relative to 1990. The impact of these problems was felt most severely by the small boat sector. In contrast, vessels in the 50' - 65' size category did reasonably well in 1991 as a result of the greater mobility of these vessels and their access to limited entry licenses for species such as crab and shrimp.

The Board responded to the 1991 fishery failure through the introduction of a special Interest Forgiveness Program, which provided for the forgiveness of 1991 interest charges for those borrowers most affected. In developing this Program, the Board sought to target those fishermen who had made a serious effort to repay their debts to the Board and no assistance was available to borrowers with substantial arrears. In total, the Program provided assistance to 3,200 clients of the Board at a cost of approximately $2.4 million.

The problems experienced by the small boat fishery, coupled with growing concerns about the health of the resource, contributed to a decline of 8 per cent in applications under the Direct Loan Program in 1991. By comparison, activity under the Board's Loan Guarantee Program increased in 1991-92 as large boat fishermen sought to take advantage of the continuing decline in interest rates. In fact, the high interest rates of 1989-1991 caused many fishermen to postpone purchases in the expectation that financing costs would soon decline, and much of the activity of 1991-92 was actually representative of investment decisions that had been initially planned for 1990 and 1991.

The increasingly pessimistic scientific advice with respect to Northern cod, and the resultant two year moratorium, is of considerable concern to the Board as we move into the 1992-93 fiscal year. The Board believes that the present resource difficulties are not limited to the Northern cod resource, but are equally severe with respect to several other stocks of critical economic importance to the inshore sector. Under these circumstances, the Board must ensure that its programs do not contribute to overcapitalization in those areas which already have sufficient capacity to harvest the available resources. In addition, the Board will seek to introduce changes to its programs to further encourage the development of an economically viable inshore fishery.

The success of the Fisheries Loan Board is dependent, not only upon the efforts of its staff and Executive Board, but also upon the support of Department of Fisheries field staff, shipyards and suppliers, Chartered Banks, the FFAW, and, of course, the approximately 6,000 fishermen who are clients of the Board. I would like to take this opportunity to express my appreciation to all those organizations and individuals who helped make 1991-92 a successful year.

Brian C. Bursey
Chairman

Steel fishing vessels under construction in Glovertown.

Mr. Brian C. Bursey
Chairman and Managing Director
Fisheries Loan Board

Mr. Reginald Kingsley
Assistant Deputy Minister
Department of Fisheries

Mr. David Alyward
Department of Fisheries & Oceans

Mr. Kevin Carroll
Fishermen, Food and Allied Workers

Mr. Jerry Canning
Member at Large

Mr. Selwyn Genge
Fisherman

Mr. Kevin Normore
Fisherman

Mr. Boyd Smith
Marine Institute

Mr. David Lewis
Director, Planning Services
Department of Fisheries

The Fisheries Loan Board operates under the authority of ***The Fisheries Loan Act***, ***The Fishing Ships (Bounties) Act***, ***The Fishing and Coasting Vessels Rebuilding and Repairs (Bounties) Act***, The Loan Guarantee Program, and The Small Boat Bounty Program. Authority is provided for the Board to provide low interest loans, loan guarantees, and capital grants (Bounties) to fishermen who meet the eligibility criteria set forth in the Acts, Regulations and Guidelines.

In addition to providing financial assistance, the Board is responsive to the needs of fishermen in other ways, including the provision of advice on the viability of proposed operations and, generally, in helping fishermen to manage their financial affairs. Furthermore, technical advice and inspection services are provided to ensure that fishing vessels are constructed and equipped to adequate standards.

The following pages summarize the Assistance Programs administered by the Board.

Change Islands

LENDING PROGRAMS

Direct Loan Program

The Board provides loans of up to $50,000 directly to fishermen to assist them in financing the purchase or construction of fishing vessels of less than 10 underdeck tons. Loans are also available for the purchase of engines and equipment, as well as for the rebuilding and repair of vessels in this size category. These loans are at subsidized interest rates, whereby the interest rate charged is three percentage points below the Provincial Government Banker's prime interest rate as determined on April 1 and October 1 of each year.

Loan Guarantee Program

Loans of up to $1,300,000 to finance the purchase or construction of vessels greater than 10 underdeck tons, and for engines, equipment, and the rebuilding and repair of vessels in this size category; are provided directly by commercial lenders and guaranteed by Government. An interest subsidy is also provided so that fishermen pay the same interest rates on guaranteed loans as are charged on loans through the Direct Loan Program.

The tables on the following pages provide statistical information concerning Direct Loan and Loan Guarantee Program activity for the 1991-92 fiscal year, with comparative figures for 1990-91.

BOUNTY PROGRAMS

The purpose of the Bounty Programs is to encourage the acquisition, replacement, or rebuilding and repair of vessels by providing a subsidy to reduce the capital costs of boats to fishermen. The programs consist of:

(A) A Small Boat Bounty Program for new vessels of less than 10 tons (usually equivalent to an overall registered length of less than 35 feet). The subsidy is provided on a per foot basis.

(B) A Large Boat Bounty Program for new vessels greater than 10 tons. The subsidy is provided on an underdeck tonnage basis.

(C) A Rebuilding and Repair Bounty Program to rebuild and repair vessels in excess of 10 tons, more than 8 years old, and registered in Newfoundland for at least five years. The subsidy is provided as a percentage of the approved cost.

The graphics on the following pages provide statistical information concerning the Bounty Programs for 1991-92, with comparative figures for the preceding fiscal year.

Table 1

Direct Loans Approved for Fiscal Year 1991/1992 (with comparative figures for 1990/1991)

	Number			Loan Amount ($000)		
Purpose of Loan	**1990/91**	**1991/92**	**% Change**	**1990/91**	**1991/92**	**% Change**
Engines & Equipment	308	263	-15%	1,541	1,378	-11%
New Vessels 35' and Under	289	265	-8%	2,881	2,360	-18%
New Vessels Over 35'	0	0	-	0	0	-
Used Vessels 35' and Under	85	82	-4%	1,053	800	-24%
Used Vessels Over 35'	59	39	-34%	2,045	1,235	-40%
Total Direct Loans	741	649	-12%	7,520	5,773	-23%

Table 2

Guaranteed Loans Approved for Fiscal Year 1991/1992 (with comparative figures for 1990/1991)

	Number			Loan Amount ($000)		
Purpose of Loan	**1990/91**	**1991/92**	**% Change**	**1990/91**	**1991/92**	**% Change**
Engines & Equipment	7	1	-86%	185	5	-97%
New Vessels 35' and Under	2	0	-100%	148	0	-100%
New Vessels Over 35'	7	16	129%	4,336	10,216	136%
Used Vessels 35' and Under	1	0	-100%	70	0	-100%
Used Vessels Over 35'	17	29	71%	3,795	6,255	65%
Total Guaranteed Loans	34	46	35%	8,534	16,476	93%

Table 3

Loans Approved for New Vessels (large and small)
1987/1988-1991/1992

	Direct Loans				Guaranteed Loans			
	Small Vessels		Large Vessels		Small Vessels		Large Vessels	
	#	Loan Amount ($000)	#	Loan Amount ($000)	#	Loan Amount ($000)	#	Loan Amount ($000)
1991/1992	265	2,360	-	-	-	-	16	10,216
1990/1991	289	2,881	-	-	2	148	7	4,336
1989/1990	367	3,877	2	100	4	334	12	5,984
1988/1989	424	4,246	-	-	6	469	33	19,743
1987/1988	515	4,964	4	129	3	185	35	15,940

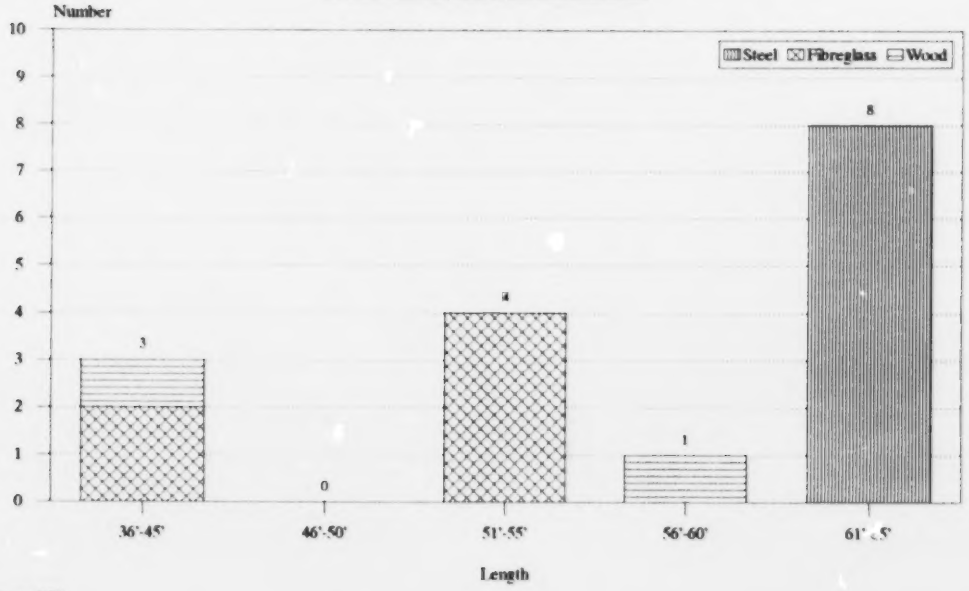
Small Vessels are those 35' and under in length.

Vessels greater than 35' in length are defined as Large Vessels.

Jackson's Cove

Figure 1

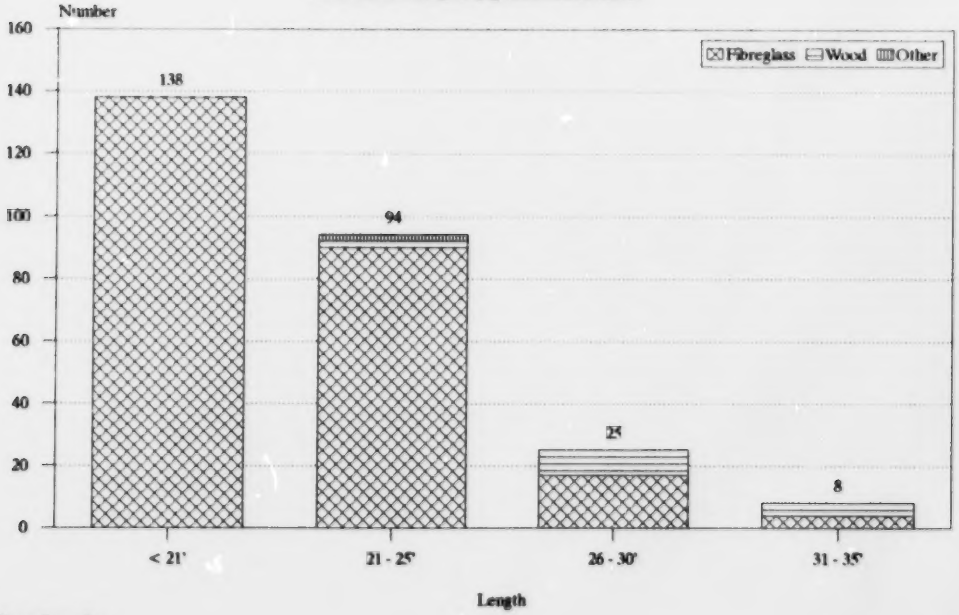
Loans Approved for Large New Vessels* 1991/92 (by Type and Size)



*** Over 35'.**

Figure 2

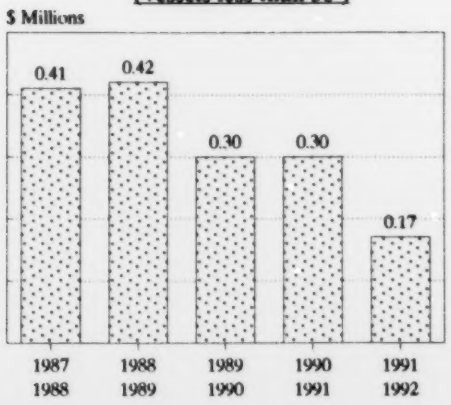
Loans Approved for Small New Vessels* 1991/92 (by Type and Size)



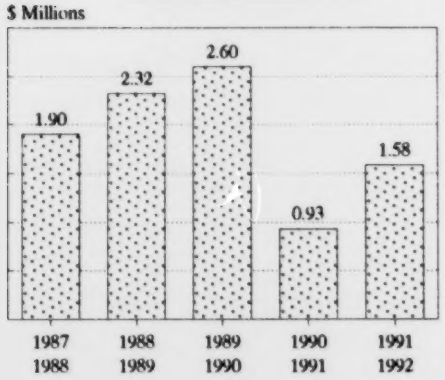
*** 35' and under.**

Figure 3
Bounty Programs (by Dollar Value)
1987/1988 - 1991/1992

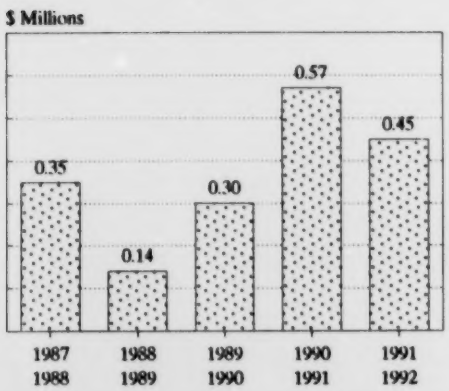
Small Boat Bounty
(Vessels less than 35')

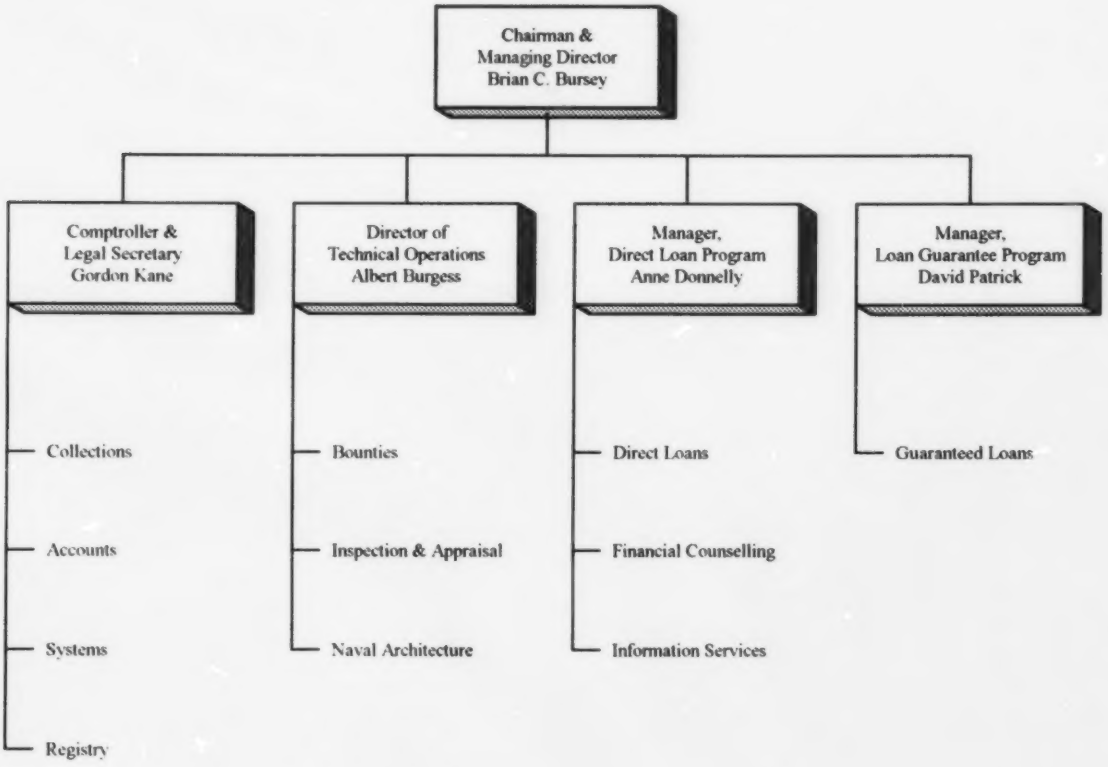


Large Boat Bounty
(Vessels larger than 35')



Rebuilding & Repair Bounty
(Vessels larger than 35')





Senior Management

Brian C. Bursey - Chairman & Managing Director
Gordon Kane - Comptroller & Legal Secretary
Albert Burgess - Director of Technical Operations

Senior Staff

Financial Division

Keith Barry - Assistant Comptroller
Doug Tibbo - Chief Accountant
David Fleming - Collections Supervisor
Greg Bonia - Systems Analyst

Loans Division

Anne Donnelly - Manager, Direct Loan Program
David Patrick - Manager, Loan Guarantee Program
Andy Kean - Senior Loans Officer
Susanne Blackmore - Co-Ordinator of Information Services

Technical Division

Len Edwards - Technical Services Co-Ordinator
Joanne Pardy - Naval Architect

Loans Division

The Board, through the Direct and Loan Guarantee Programs, provides fishermen with financial assistance to purchase boats, engines, electronics and related equipment.

Unusually severe ice conditions and resource constraints contributed to a significant reduction in demand under the Direct Loan Program in 1991-92. By comparison, activity under the Loan Guarantee Program increased markedly, as large vessel owners undertook significant investments in new vessels and equipment in response to rapidly declining interest rates. In total, the Board approved 695 loan applications in 1991-92; representing a total value for direct and guaranteed loans of more than $22 million. In addition, the Board paid an interest subsidy of $2.2 million with respect to its Guaranteed Loan Program in 1991-92.

Last year, as in recent years, projects were undertaken to improve efficiency and to make the Board more responsive to clients' needs. An important change was an increase, from $10,000 to $15,000; in the value of loans which can now be considered under the Board's Fast Track Loan System. The Fast Track process considerably reduces the amount of time required to approve and disburse loans.

Additional improvements relate to the Direct Loan legal documents, which have been revised into a format and language that is easier to read and understand. In addition, a review of the various Field Reports also commenced in the last quarter of the fiscal year. It is anticipated that this project will be completed late in 1992.

Work on the drafting of a new Loan Guarantee Agreement between Government and the Chartered Banks was also completed in 1991-92. In addition, Government has approved changes in the Program whereby other commercial lenders, such as trust companies, are able to participate in the Program.

Technical Services Division

The Technical Services Division is involved in all aspects of Loan Board activity and is directly responsible for the three Bounty Programs, vessel inspection and appraisal, the Board's Naval Architecture Program, and the development and enforcement of standards and regulations for fishing vessel construction. The division is also directly involved in the vessel and equipment component of the Newfoundland Inshore Fishery Development Agreement (NIFDA) and in the delivery of the vessel purchase and upgrading component of the Comprehensive Labrador Co-operation Agreement.

The Comprehensive Labrador Co-operation Agreement, which is designed to strengthen and broaden the economic base of Labrador, recognizes the development of the Labrador fishery as an important contributor to the socio-economic wellbeing of the region. The Technical Services Division is responsible for the administration of the harvesting development component of the Agreement, with an anticipated expenditure of $3 million over a five year period.

Large vessel construction activity increased in 1991-92 as fishermen sought to take advantage of declining interest rates. In addition, the fibreglass sheathing of older wooden vessels continued to be much in demand, particularly in the under 35 foot category where NIFDA grants in support of rebuilding and repair were available.

The Technical Services Division developed a new Shipbuilding Contract during 1991-92 to be used by shipyards where Board funding of large fishing vessels is involved. This document has been accepted by the shipbuilding industry as a standard contract for vessels financed under the Board's programs, and will help to ensure that the interests of all parties to a shipbuilding contract are protected.

Several of the Province's shipbuilders experienced financial difficulties in 1991-92, reflecting the general downturn in the industry. The Board was actively involved in ensuring that fishermen with vessels under construction in these yards were successful in having these vessels completed. All of the vessels involved have now been delivered and are actively involved in the fishery.

Accounting and Administrative Section

This section is responsible for the Board's accounting system and procedures, as well as for all other administrative functions of the Board. Approximately 5500 direct loans are currently administered by this section.

In response to the 1991 fishery failure, Government announced, in March, 1992, a Province-wide program (the 1991 Interest Forgiveness Program) whereby fishermen who experienced difficulty in making their payments could receive forgiveness of 1991 interest charges. The Board's accounting and administrative staff were extensively involved in the delivery of the Program, which provided interest forgiveness of $2.4 million to 3,200 of the Board's clients.

The Accounting and Administrative Section continued to make enhancements to its computerized loan accounting system and provide computer education to staff.

Collections Section

The failure of the 1991 inshore fishery, particularly along the Northeast Coast and in Labrador, resulted in collection receipts of $6.6 million for 1991-92, as compared to $7.3 million for 1990-91. The Board's Assignment of Catch Program continues to provide a significant portion of collection receipts, and streamlining of the administration of this program has enhanced its effectiveness and efficiency.

Repossession action is a last resort for the Board, and is taken only when all other attempts to rehabilitate the accounts have been unsuccessful. The majority of the 73 repossessions initiated during 1991-92 were voluntary and agreed to by the fishermen involved. Repossessed items are disposed of through the Board's Public Tendering System, which is administered by the Collections Section. During 1991-92, 42 items were disposed of through three Public Tender advertisements held during the year.

Formalized procedures were introduced in 1991-92 to collect delinquent loan balances through legal action. This action is only used in situations where a debtor has the financial ability, but lacks the intent, to pay.

OFFICE OF THE AUDITOR GENERAL
ST. JOHN'S, NEWFOUNDLAND

AUDITOR'S REPORT

The Chairperson and Members
Fisheries Loan Board of
Newfoundland
St. John's, Newfoundland

I have audited the balance sheet of the Fisheries Loan Board of Newfoundland, Fisheries Loan Fund, as at 31 March 1992 and the statements of revenue and expenditure, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at 31 March 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

E. Marshall.

Elizabeth Marshall, C.A.
Auditor General

St. John's, Newfoundland
24 July 1992

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

BALANCE SHEET

31 MARCH 1992

	1992	1991
ASSETS		
Cash	$ 496,498	$ 116,665
Interest subsidy receivable	226,327	605,230
Loans receivable (Note 2)	54,473,627	53,972,579
	54,699,954	54,577,809
Less: Allowance for doubtful accounts (Note 3)	22,343,078	19,924,096
	32,356,876	34,653,713
Total Assets	$32,853,374	$34,770,378
LIABILITIES		
Borrowers' deposits on new loans	$ 161,423	$ 206,977
Tender deposits	815	815
Total Liabilities	162,238	207,792
EQUITY		
Province of Newfoundland		
Contributed capital (Note 4)	46,323,910	45,591,958
Deficit	13,632,774	11,029,372
Total Equity	32,691,136	34,562,586
Total Liabilities and Equity	$32,853,374	$34,770,378

See accompanying notes

Signed on behalf of the Board

Managing Director **Member**

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF EQUITY

FOR THE YEAR ENDED 31 MARCH 1992

	1992	1991
Contributed capital, beginning of year	$45,591,958	$45,427,807
Add: Contributions made by the Province during the year	5,524,761	6,906,639
	51,116,719	52,334,446
Less: Contributions (capital) returned to the Province	4,577,119	5,612,312
Principal write-offs (Note 9)	215,690	1,130,176
Contributed capital, end of year	46,323,910	45,591,958
Deficit, beginning of year as previously recorded	10,576,555	10,400,378
Add: Adjustment to prior year's interest revenue (Note 12)	452,817	-
As restated	11,029,372	10,400,378
Add: Payments to the Province for interest collected on loans issued by the Board	2,275,845	2,437,483
Less: Excess of revenue over expenditure (expenditure over revenue)	(543,247)	678,313
Less: Principal write-offs (Note 9)	215,690	1,130,176
Deficit, end of year	13,632,774	11,029,372
Equity, end of year	$32,691,136	$34,562,586

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1992

	1992	1991
REVENUE		
Interest on loans (Note 12)	$2,106,432	$2,880,265
EXPENDITURE		
Provision for doubtful accounts	2,649,619	2,201,942
Operating expenses (Note 6)	60	10
	2,649,679	2,201,952
Excess of revenue over expenditure (expenditure over revenue)	$ (543,247)	$ 678,313

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1992

	1992	1991
Cash resources from operations were provided by:		
Principal installments on loans receivable	$4,379,838	$5,095,503
Interest on loans receivable	2,258,315	2,218,148
Provincial bounty on loans advanced	748,940	272,485
Required payments on loans advanced	751,979	990,499
Tender deposits	33,213	19,947
Province of Newfoundland		
- Advances to fund	5,524,761	6,906,639
- Interest subsidy (Note 8)	2,513,356	3,702,704
Marine insurance payments (net)	208,880	483,228
Miscellaneous	-	3,193
Appraisal fees	1,071	1,101
	16,420,353	19,693,447
Cash resources from operations were used for:		
Loan advances - Purchase of boats and equipment	6,995,995	8,131,592
Repossession expenses	49,186	43,472
Payments of interest subsidy (Note 8)	2,134,454	3,656,171
Payments to Province of Newfoundland	6,852,964	8,049,796
Miscellaneous	7,921	-
	16,040,520	19,881,031
Increase (decrease) in cash during year	379,833	(187,584)
Cash, beginning of year	116,665	304,249
Cash, end of year	$ 496,498	$ 116,665

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1992

Authority

The Fisheries Loan Board of Newfoundland operates under authority of the Fisheries Loan Act, Chapter F-13, Revised Statutes of Newfoundland 1990. These statements are a representation of the activities of the Fisheries Loan Fund as established by Section 5 of the Act. The Board was established to improve and develop the fishing industry of the Province. The Board consists of nine members appointed by the Lieutenant-Governor in Council.

1. Accounting policies

Income taxes

The Fisheries Loan Board is a Crown entity and as such is not subject to Federal or Provincial income taxes.

2. Loans receivable

	1992	1991
Principal not yet due	$23,741,117	$25,060,743
Principal due and unpaid	23,596,647	21,530,698
Interest due and unpaid	5,282,836	5,728,792
Interest accrued	1,853,027	1,652,346
	$54,473,627	$53,972,579

Included in the principal and interest outstanding at 31 March 1992 is the amount of $9,266,397 (1991 - $8,043,356) which represents principal and interest due from individuals whose boats have been repossessed and sold. Of this amount $64,802 (1991 - $65,040) represents the balance of contracts entered into prior to 3 September 1974, of which a portion is not legally collectible. Principal and interest due from individuals whose boats have been repossessed and unsold amounted to $962,279 (1991 - $1,014,237).

3. Allowance for doubtful accounts

The allowance for doubtful accounts relates to loans receivable and represents an estimate of future probable losses on the accounts outstanding at year end. With respect to this estimate, the Board recognizes that future economic and fishing industry conditions are not predictable and, therefore, their impact on the collectibility of loans is uncertain.

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1992

3. Allowance for doubtful accounts (Cont.)

Actual losses on loans are charged to the allowance while recoveries of loan losses are credited to the allowance. The adjustment of the allowance to the appropriate level is charged to operations as a provision for doubtful accounts.

4. Capital contributions

The Fisheries Loan Board receives capital contributions from the Province to be deposited into the Fisheries Loan Fund for the purpose of making loans or advances to fishermen and to other persons, associations, societies or companies engaged either directly or indirectly in the catching, handling, processing, or distribution of fish or fish products.

5. Payments to the Province

During 1985 an amendment was made to the Fisheries Loan Act regarding collections on loans receivable. The amendment required the Board to pay into the Consolidated Revenue Fund out of the Fisheries Loan Fund such monies as directed by the Lieutenant-Governor in Council. As directed by the Lieutenant-Governor in Council the interest portion of all loan payments are remitted to the Consolidated Revenue Fund with the principal portion remitted to the Department of Fisheries, all on a monthly basis.

6. Operating expenses

The Department of Fisheries, Province of Newfoundland, was responsible for current account operating expenses totalling $3,776,683 (1991 - $6,094,839) of the Fisheries Loan Board. These expenses are not reflected in these financial statements.

7. Commitments

Loans authorized but not disbursed as at 31 March 1992 amounted to $1,348,329 (1991 - $2,025,842). It is expected that the majority of these loans will be disbursed within the five month period ending 31 August 1992 from advances to be made to the Fund by the Province.

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1992

8. Interest subsidy

The Board pays an interest subsidy for the interest charges on fishermen's bank loans to the extent of the difference between the bank's interest rate and the Board's interest rate when the loan was approved. These payments are subsequently recovered from the Province and charged to the Department of Fisheries. For the year ended 31 March 1992 the Board paid $2,134,454 (1991 - $3,656,171) in interest subsidy and had recovered $2,513,356 (1991 - $3,702,704) from the Province.

9. Principal write-offs

During the year the Board received approval to write-off principal balances of $215,690 (1991 -$1,130,176) as bad debts. The accounts receivable were written off thereby reducing the allowance for doubtful accounts and its deficit and the contributed capital account.

10. Impact of the Cod Moratorium

On 2 July 1992, the Government of Canada announced a moratorium on the Northern Cod fishery, affecting clients on the Labrador and Northeast coasts. The effect of this action on the accounts receivable and revenues of the Board have yet to be determined.

11. Contingent liabilities

(a) A client of the Fisheries Loan Board has taken legal action against the Board as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the $900,000 to $1,100,000 range. Notwithstanding the above, however, the opinion of the Department of Justice regarding the Board's risk of exposure is that there is a good defence to this claim.

(b) In a matter related to the above noted legal action another party has issued a Statement of Claim against Her Majesty the Queen in right of Newfoundland and the Fisheries Loan Board. The amount of this claim has been estimated at $1,000,000.

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1992

11. Contingent liabilities (Cont.)

(c) A client has filed a Notice of Intended Action dated 1 April 1991 against Her Majesty the Queen in right of Newfoundland and the Fisheries Loan Board because of an alleged breach of a bounty agreement. The client will be seeking an estimated $143,700 plus interest.

12. Prior period adjustment

On 27 February 1992 the Lieutenant-Governor in Council approved a program to forgive normal interest charges, not interest associated with arrears, for the 1991 year for all Direct Loan Program clients, as a result of the failure of the inshore fishery. The total cost of this program was $1,898,150 of which $452,817 was recorded in the year ended 31 March 1991. As a result, interest revenue was reduced by $452,817 for the 1991 year and $1,445,330 for 1992.